



County of Los Angeles

CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

April 25, 2003

Board of Supervisors
GLORIA MOLINA
First District

YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

To: Supervisor Yvonne Braithwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

STATE BUDGET UPDATE

Assembly's "April Budget Package"

Yesterday, April 23, 2003, the Speaker of the Assembly announced that the Democratic Caucus, after a three hour meeting, had agreed to support an "April Budget Package" that will provide an additional \$5.9 billion in budget reductions in the current and budget years. For some time now Assembly Republicans have not provided the eight votes needed to approve SB1X 22 which would authorize the issuance of pension obligation bonds which could save an estimated \$2.2 billion in the budget year. According to the State Treasurer, unless the bill is enacted by May 5 to allow enough time for bonds to be sold, the State will lose the opportunity to save \$656 million on a pension payment due this fall.

We are advised that the Speaker's proposal is an attempt to break the deadlock by giving Assembly Republicans the budget reductions they have insisted on in return for support of the bill. However, Assembly Republican leaders claim that there are not enough cuts in the package and that they could be reversed when the Legislature acts on the remainder of the budget later in the session. Assembly Republicans caucused this morning but there is no word yet on whether or under what conditions they will support SB1X 22. If the bill is approved by the Assembly, it must still be approved by the Senate which could agree to the package or call for a conference committee to seek changes.

In addition to \$2.2 billion in savings from the issuance of pension obligation bonds, the package includes \$2.5 billion in cuts and deferrals and \$1.2 billion from fund shifts, fees, transfers and loans. According to the release from the Speaker's Office, if this \$5.9 billion package is approved, only \$8 billion to \$13 billion in additional budget solutions will be required to close the budget gap if the Administration pulls the VLF trigger and puts higher rates in place before July 1, 2003.

Some \$1.4 billion of the proposed cuts would be absorbed by local governments as outlined on the attached chart. Included in this \$1.4 billion reduction is a one-time \$500 million reduction to be split evenly between cities and counties. There are no details about where the cuts would be made except that they would be based upon population which should mean that the County's share would approximately \$70 million. In addition, the proposal includes a \$37 million savings from the elimination of the VLF backfill for big-rig trailers "to conform with international agreements." The impact on the County is uncertain.

Most of the other proposed reductions are to State operations and programs. However, in addition to the direct cuts to local government, there are a number of other reductions that will impact the County and the people it serves. The reductions that would directly impact the County include:

- \$194 million from reducing county Medi-Cal administration through implementation of accountability standards that will reduce costs through more timely redeterminations without a loss to counties;
- \$31 million from shifting "undesignated fees" from counties to the courts, which could cost the County as much \$26 million, depending on how it is done;
- \$7.1 million from increasing the sliding fee for commitments to the California Youth Authority, which would cost Probation approximately \$1.9 million;
- \$6.7 million from not implementing a scheduled Mental Health Managed Care COLA;
- \$24.4 million from reducing programs that cover part of the cost for correctional (\$10.1 million) and law enforcement (\$14.3 million) training which will impact Probation and the Sheriff; and
- \$1 million from eliminating reimbursements to counties for special elections.

In addition to these reductions, two others will impact some recipients of County services including:

- \$92 million from suspending the SSI/SSP COLA scheduled for January 2004;
- \$50 million from capping dental coverage under Medi-Cal.

Assembly Subcommittee Hearing on Mental Health Issues

On Wednesday, April 23, 2003, the Assembly Subcommittee No. 1 on Health and Human Services discussed various mental health issues, including the Governor's proposed mandate deferral for AB 3632 services for seriously emotionally disturbed pupils and handicapped students. Representatives from Los Angeles and Orange Counties, CSAC and the County Mental Health Directors Association urged subcommittee members to use new federal Individuals with Disabilities Education Act (IDEA) funding to reimburse counties for AB 3632 services. The Legislative Analyst's Office (LAO) agrees that Federal IDEA funding could be used, but also suggests including the program within the realignment proposal. The Department of Finance continues to maintain the Administration's position to defer payments to counties for state-mandated programs. Subcommittee Chair, Assembly Member Judy Chu, requested that the Assembly Budget Subcommittee No. 2 on Education Finance hold a hearing to seek new federal IDEA funding for this mandate. No other action was taken by the Subcommittee.

The Senate Budget and Fiscal Review Subcommittee No. 1 on Education is expected to discuss the AB 3632 mandate deferral at its May 5th hearing.

Senate Subcommittee Hearing on Social Services Issues

Today, the Senate Budget Subcommittee No. 3 on Health and Human Services discussed various social services issues, including the Governor's proposal to realign In-Home Supportive Services (IHSS), the Cash Assistance Program for Immigrants (CAPI) and CalWORKs Employment Services and Administration to the counties. On a 4-0 vote, the Subcommittee rejected the realignment proposals.

Although the Governor's realignment proposal on CalWORKs Employment Services and Administration was rejected, Subcommittee Chair Senator Chesbro suggested that this program might be considered in another realignment package because counties already have considerable program flexibility and because the caseload is relatively stable. The LAO and the County Welfare Directors Association agreed that this program might be possible to realign.

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Child Support Department to be Funded

On Tuesday, April 22, 2003, the Governor signed SB 1070 (Chapter 6 of 2003), a deficiency appropriation for the operation of State government. Included in the bill is funding for the State Department of Child Support Services that will enable it to fund county child support agencies for the balance of the fiscal year. Counties should receive their April payment, which had been delayed, in about 10 days.

We will continue to keep you advised.

DEJ:GK
MAL:JR:ib

Attachment

c: Executive Officer, Board of Supervisors
 County Counsel
 Local 660
 All Department Heads
 Legislative Strategist
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations
 Buddy Program Participants